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Intellectual AMMUNITION

On State and Local Issues

Potshots

- The pursuit of office is like the pursuit of women — the position ridiculous, the expense damnable, and the pleasure fleeting.

G.K. CHESTERTON

- If laws could speak for themselves, they would first complain of the lawyers who wrote them.

LORD HALIFAX

- Media is plural for mediocre.

MIKE DITKA

- There are two kinds of people in the world: Those who divide everybody into two kinds of people, and those who do not.

ROBERT BENCHLEY

- Leadership: The art of getting someone else to do something you want done because he wants to do it.

DWIGHT D. EISENHOWER

- The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officials should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt.

CICERO, 63 BC

- In politics, you have your word and your friends; go back on either and you're dead.

MORTON C. BLACKWELL

- Sign seen in government building: "In case of atomic attack, the federal rules concerning prayer in this building will be temporarily suspended."

Five Facts About Health Care

The facts about health care in the U.S. were the first casualty of campaign rhetoric and hype at the end of 1992. Here are five facts about health care that policy makers should keep in mind as they attempt to fashion legislative remedies:

❶ **The Uninsured:** Thirty-five million Americans are without health insurance *at any given moment*. But fewer than a quarter as many remain without insurance for longer than 12 months. Many of these people are healthy, young, and relatively well-off; for them, being uninsured for short periods of time does not pose a medical risk. Being without insurance also does not mean having no access to health care: Hospitals provide billions of dollars worth of unreimbursed health care every year.

❷ **Canadian Model:** Canada spends less on health care than does the U.S., *but this achievement comes at the expense of quality care.* Canada rations health care, requiring patients to wait months for many forms of surgery; prohibits hospitals from investing in CAT scanners, MRIs, and other modern life-saving technologies; and severely limits the number of doctors who train to become specialists. Canada historically has invested less in health care than has the U.S. Yet its record of spending increases since 1967 is not significantly different from the U.S. rate of spending growth.

❸ **Longevity and Infant Mortality:** Americans have shorter life spans and a higher infant mortality rate than many other industrialized countries. *But American hospitals and care providers are not to blame.* Other countries routinely undercount infant deaths and fail to begin rescue efforts for extremely premature infants. Infant mortality in industrialized countries is determined by the health and lifestyles of mothers, not access to or quality of medical care. Similarly, longevity is determined by lifestyle and environmental considerations and not by what takes place inside hospitals.

❹ **Efficiency:** The U.S. spends more on health care per person than any other country, and apparently spends more on administration. *But this does not mean that U.S. health care is less efficient.* A

(Continued on Page 2)

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Tools For Political Survival

Intellectual
AMMUNITION
On State and Local Issues

Editor
Diane Carol Bast

Contributing Editors

Education • Thomas Hetland
Environment • Kent Jeffreys
Family • Bryce J. Christensen
Health Care • Joseph L. Bast
Organizations • Robert V. Pambianco
Privatization • John O'Leary
Taxes • William Ahern
Welfare • Robert Rector

Board of Directors: Bernard Baltic, Joseph Bast, Franklin M. Buchta, Robert S. Jackson, James L. Johnston, James R. Kipp, David L. Littmann, Everett H. Moffat, James K. Murphy, David H. Padden, Frank Resnik, Mike A. Roberts, Lee A. Walker, Stuart A. Wesbury, Jr., Richard Vedder.

Advertising Sales: Chicago, Marie Peters, 634 South Wabash Avenue, Second Floor, Chicago, IL 60605, 312/427-3060; **Milwaukee**, Kirby Brant, P.O. Box 53, Watertown, WI 53094-0053; 414/261-1430; **Kansas City**, Bradley J. Furnish, 15 West 10th Street #500, Kansas City, MO 64105, 816/471-8152; **St. Louis**, Emmett McAuliffe, 2458 Old Dorsett Road #230, St. Louis, MO 63043, 314/344-1100; **Detroit**, Thomas Shull, 645 Griswold #2525, Detroit, MI 48226, 313/961-1950; **Cleveland**, Judith Brenneke, 3941 Orchard Road, Cleveland Heights, OH 44121, 216/381-8452.

Publisher
Joseph L. Bast
The Heartland Institute
634 South Wabash Avenue
Second Floor
Chicago, IL 60605
312/427-3060
(fax) 312/427-4642

Business advisors: John G. B. Howland, Venture Catalysts, Inc.; Don L. Foote, First National Acceptance Company

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system that saves money by withholding treatment from people in pain is not more efficient than one that tries to provide a high level of care. National health insurance schemes that arbitrarily cap spending or limit new investments by hospitals are less efficient, replacing the judgments of doctors and parents with decision making by politics and bureaucracy.

❺ **Right vs. Privilege:** Some reformers say health care should be a "right" and not a "privilege." *But what they mean is health care should be an entitlement paid for by somebody else, not the patient.* Such cost shifting is the principal factor behind rising health care spending today. Medicare foreshadows how a national health insurance plan would either bankrupt the nation or require rationing by politicians or bureaucrats. The *right* of doctors and patients to enter into mutually agreed contracts for service would be denied, while *privileged* special interest groups would use political clout to ensure their access to care.

America's health care system surely needs reforms aimed at reducing costs and increasing accountability. But such reforms should be based on facts, not emotion and hype. No less than the health of a nation is at stake.

# # #

Based on ***Why We Spend Too Much on Health Care****, by Joseph L. Bast, Richard C. Rue, and Stuart A. Wesbury, Jr. (Chicago, IL: The Heartland Institute, 1992). To order copies of the book, call 312/427-3060.*

Publisher's Note

"Just the Facts"

Walter McKeithen, Louisiana Secretary of State, writes, "As Sergeant Friday used to say, 'Just the facts.' *Intellectual Ammunition* provides facts in a more concise manner than anything I've seen before." And Senator Jacqueline Roberts (AR) notes "*IA* is just the tool I need to help keep me informed on vital issues and it also helps in my speech preparation. Where have you been?"

This copy of *IA* contains more facts for Secretary McKeithen, Senator Roberts, and the many other public officials who were quick to put past issues to use. Even though this one doesn't contain a "Faxballot" for your suggestions, please don't hesitate to jot them down and fax them to us at 312/427-4642.

Join a Think Tank

Somebody as smart as you should belong to a think tank! In the 1980s, think tanks evolved from university-bound clubs for intellectuals into action-oriented committees of people in business and politics as well as the academy. The Heartland Institute has been a leader in this evolution, involving thousands of policy makers and taxpayers in a dialogue about public policy.

If you don't already belong to a think tank (or even if you do), we respectfully invite you to join ours. Membership information appears on page 25, and a sampling of the research you'll receive from us appears on the back cover of this issue.

Sign up today and see what you've been missing!

About "Contacts"

At the back of each issue of *IA* is a three-page listing of organizations that produce most of the research we cite. Please contact these organizations directly to order copies of their studies and reports; they will appreciate your business.

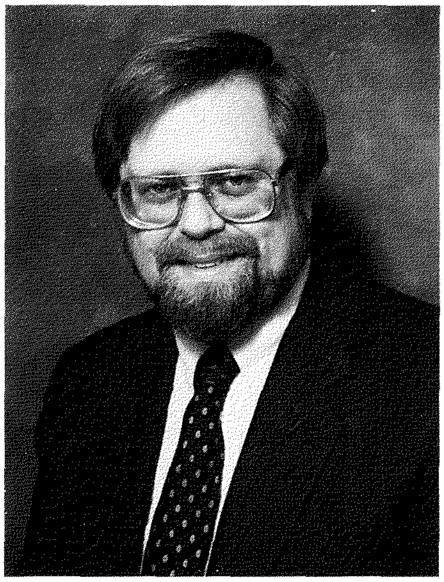
While I cannot personally vouch for every group on the list, it is my judgment that all are quality organizations with the courage to challenge conventional wisdom on matters of state and local public policy. We avoid listing the wishy washy and the namby pamby; their politically astute positioning means they can probably afford to advertise in *IA* to get your attention.

Joseph L. Bast
Publisher

The Real Missing Traditional Values

By Mark Reynolds

Life & Liberty: A forum for the Directors and Governors of The Heartland Institute to share their personal philosophies and life experiences.



"We can recapture the values that made America great."

The debate over "family values" in last year's Presidential campaigns missed the point. By casting the debate as a conflict between the Waltons and Simpsons (or Donna Reed vs. Murphy Brown) both sides have done America a disservice.

Which values make a culture strong and free — one in which individuals and families can prosper? They are most certainly not the values touted by Republican pampered suburbanites. But neither are they the values of the left, who blame all our social ills on the prosperity of the rich and believe that the cure is more government, more taxes, more "help."

The values that once made America a better place to live — its citizens happier, wealthier (materially and spiritually), and better prepared to face a changing future — have largely been lost, but they can be found again. The values we must recapture were discovered by the 17th century Enlightenment and given shape by the experience of the American frontier:

■ **Individual freedom, initiative, and responsibility.** The Enlightenment called for individual liberty; the frontier convinced Americans that if you wanted something done it was up to you to do it. Not to organize, agitate, legislate, and lobby others to do it . . . but to do it yourself, alone if necessary.

■ **A distrust of government and authoritarian hierarchies**, and a corresponding belief that individuals and voluntary groups are better. By contrast, today we seem to think that everything needs to be done by "professionals" as far removed from our own lives as possible — resulting in a loss of diversity, community, and accountability.

■ **A respect for "minorities,"** but not only ethnic, economic, or social minorities. As recently as the 1940s, "the minority" in American political dialogue referred to those who held unusual opinions. Because we have redefined "the minority" to refer to human characteristics (skin color, gender, ethnicity, sexual preference), we have lost track of the fact that *ideas* are what organized and motivated this country.

■ **A commitment to the value of Values**. Even though there was (and is) a terrific diversity of opinion as to what Values are central, at one time there was a consensus in this country that some values are more important than others, that thoughtful reflection on one's beliefs counts for something, that the thoroughly considered values of others deserve respect, and that there is a relationship between one's values and one's actions.

Because we have lost track of these values, we have fallen back, as did the Roman Empire in its decline, upon Bread and Circuses. In their current incarnation, these are the "values" of Entitlement and Entertainment. Basketball players are more highly paid than teachers. Rock and movie stars are given serious attention no matter how inane or trivial their insights, while thoughtful people who do not look good on television (James Stockdale and Paul Tsongas, for example) are ridiculed. U.S. workers can't compete in the global marketplace, and the poor are trapped by schools that don't work and a culture that excludes them from meaningful change. To prevent their violent rebellion we pay them off with a "dole" that keeps them dependent.

Unless we embrace again the values outlined here, our culture is doomed to deteriorate. Happiness and prosperity, however we as individuals may define them, will remain out of reach. Our culture will fail — not just for poor black folks in the city, but for rich white folks in the suburbs as well.

# # #

Mark Reynolds, a member of the Illinois Board of Governors of The Heartland Institute, is president of a Chicago real estate management firm.

EDF's Pro-Market Myth

After "persuading" McDonald's to change its packaging and urging the White House to place emissions trading provisions in the Clean Air Act, the Environmental Defense Fund now plans to use "market-oriented measures" to make car manufacturers environmentally correct. EDF and General Motors recently announced the opening of a "policy and technical dialogue" to address air pollution issues.

With GM spokesman John Dinan acknowledging that the auto industry is under extreme pressure to make gains in emissions reduction — "gains that will come slowly and at great expense" — a question arises: Why is GM sleeping with the enemy? Perhaps the company is resigned to stricter regulations and bigger government. Perhaps it is appeasing the environmentalists. But if GM actually *believes* EDF's pro-market myth, someone didn't do his homework.

EDF was founded in the 1960s as a public interest law firm with the motto, "Sue the bastards." Executive Director Fred Krupp describes an evolution in green thinking: from Teddy Roosevelt conservation, through the pollution obsession, and into a "third-stage" activism that admits private market forces can effectively preserve public benefits.

But Krupp quickly reveals his faith in big government, asserting that "Government must set strong, clear, enforceable goals to protect the environment." EDF opposed President Bush's moratorium on new federal regulations, although a 1990 EPA study estimated the annual cost of pollution controls at $115 billion, or 2.1 percent of GNP. Regulatory compliance costs are expected to increase another $1.6 trillion, with the 1990 Clean Air Act amendments adding $25 billion to $40 billion a year.

EDF uses tax dollars ($685,578 in 1991) and tax-deductible contributions — it has an annual budget of $18.5 million — to promote strict government regulation and to bully businesses. Suing government agencies for enforcement proves especially lucrative, since several environmental regulations reimburse the attorneys involved, even when they lose. EDF received $251,073 in awarded attorneys' fees in 1991.

EDF proclaims faith in the market, but it advocates government regulation.

True free-market environmentalism encourages "stewardship" over resources by supporting private property rights, free enterprise, and individual responsibility. But business' willingness to appease environmentalists has allowed EDF to redefine the terms of the debate. According to EDF, the best market-based solutions are artificial markets managed by big government bureaucracy; it convinced the EPA to seek increased federal purchases of recycled products, artificially stimulating demand at the taxpayers' expense. The group promoted as "market-oriented" the Clean Air Act's emissions trading scheme, which uses government mandates and pollution credits to create an artificial market for the "right to pollute." The EDF-GM team already has discussed a similar "cash-for-clunkers" proposal to encourage companies to destroy old cars.

EDF's emissions trading plan was recommended by a coalition that also urged raising federal gasoline taxes. The Competitive Enterprise Institute and Political Economy Research Center, advocates of free-market environmentalism, were excluded from the coalition in favor of big government advocates like the EPA and World Resources Institute. The coalition includes representatives of the Children's Defense Fund, Population Crisis Committee, and Ford Foundation.

EDF and its allies support regulations that limit development and thus hurt the poor and minorities who depend on economic growth for improvements in their standards of living. Highly educated, white, upper-middle-class environmentalists promote zoning laws that keep suburbia affluent and safe while condemning inner-city residents to welfare dependency and crime. The "market-oriented" EDF supports regulations that raise costs for manufacturers who employ the working class, while enforcement agencies act as white-collar job banks for EDF members.

EDF describes itself as a friend of business but remains friendly with industry's enemies. The group claims faith in free-market incentives but advocates greater government regulation. GM's participation reinforces EDF's pro-market myth, making the group all the more dangerous when it finishes off America's auto industry and approaches its next victim.

Capital
Research
Center

Information on this page was provided by Stu Nolan, a Research Associate at the Capital Research Center. For more information, contact the Capital Research Center, 1612 K Street NW, Suite 704, Washington, DC 20006, phone 202/822-8666, fax 202/785-5634.

Focus on:

EDUCATION

In late October headlines throughout the country asserted that the **Carnegie Foundation Report** had taken the wind out of the sails of school choice proponents.

The very timing of this report raises eyebrows. With school choice a distinguishing issue in the presidential election, and with a major school choice effort on the ballot in Colorado (where the Carnegie report received extensive coverage), the release of the report a mere eight days before the election leads one to suspect a motive more political than educational.

Also disturbing is the fact that only a news release about the study was made available before November 3rd. The full report was not publicly available until after the election. Not mentioned in the news release at all was the fact that the full report often praises school choice, noting that most Americans favor it.

Let's examine some statements from the news release:

CARNEGIE: *"Seventy percent of parents with children in public school do not favor sending them to another public or private school."*

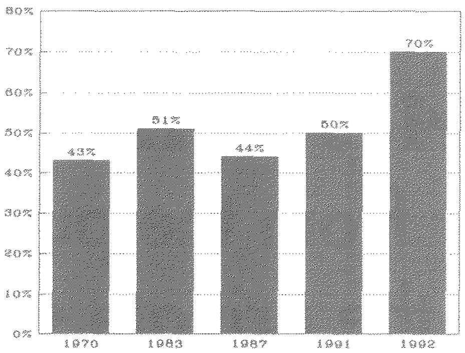
COMMENT: Carnegie asked parents, "Is there some other school to which you would like to send your child? This school could be public or private, inside or outside of your district." That 70 percent of those polled would not change schools does not indicate that 70 percent oppose choice. In fact, many of these people have already exercised school choice and are happy with their choice. Perhaps they chose to move into a particular area because of the public schools there; or maybe they chose a magnet school for their child. Their actions demonstrate that YES they are in favor of school choice, but NO they would not change schools.

In a poll released in September 1992, the Gallup organization asked people if they were in favor of school choice, not if they intended to change schools. They found 70 percent of the general public in favor, and among parents with children in school it was 78 percent.

CARNEGIE: *"In states where school choice has been adopted, less than two percent of parents participate in the program."*

COMMENT: This statement is extremely misleading. It suggests that very few families value school choice. The 2 percent figure correctly reflects the relatively small number who attend a public school outside their home district in the states that have this open enrollment option. But East Harlem, New York and Cambridge, Massachusetts have public school choice programs in which *100 percent* of students attend schools of choice.

Would You Like to See the U.S. Adopt School Choice?
(percent answering Yes)



Source: Gallup Poll, 1992.

CARNEGIE: *"Parents who transfer their children to another school do so mostly for non-academic reasons."*

COMMENT: This is simply not true. The most recent study of the Minnesota open enrollment option indicates that the four most common reasons for selecting a school were academic: the learning climate at the school, the educational services offered by the school, the academic reputation of the school, and more courses. Athletic and extracurricular activities ranked only ninth.

Secondly, even if this assertion were true, to suggest that school choice is ineffective or undesirable because parents would choose schools for the wrong reasons is condescendingly offensive. When the state feels it knows better than parents what is good for their children, then the state has gone too far.

The author thanks Jack Klenk, Acting Director of the Center for Choice in Education at the U.S. Department of Education, and Allyson Tucker, Manager of the Center for Educational Policy at the Heritage Foundation, for their prompt analyses of the Carnegie Foundation Report. Much of this column is drawn from their work.

CENTER FOR REBUILDING AMERICA'S SCHOOLS

Thomas Hetland, FSC is the Executive Director of the Center for Rebuilding America's Schools. He is a member of the Christian Brothers and was for twenty years a high school teacher and administrator. For more information, contact Thomas Hetland, the Center for Rebuilding America's Schools, 634 South Wabash, Second Floor, Chicago, Illinois, 60605, phone 312/427-3156, fax 312/427-4642.

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Privatization Watch
New Private Toll Road Projects Announced in the U.S. and Canada; Texas Leads the Way
Texas State Study Documents Private Prison Cost Savings
Inside This Issue

pri-va-tize *vt:* to transfer from the public sector to the private sector; see also privatization.

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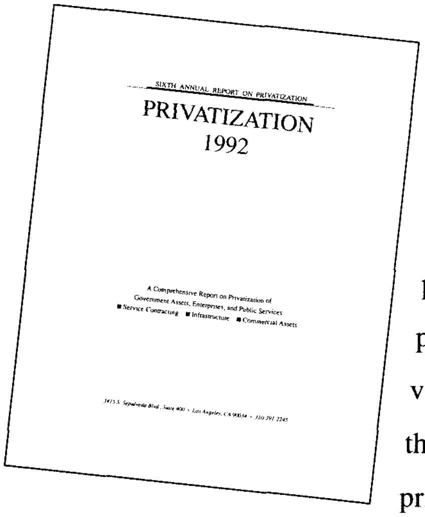

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Focus on:

ENVIRONMENT

Clinton to Appoint Green Troika?

As if Al Gore as Vice President isn't frightening enough, President Clinton may appoint a green dream team to the most important natural resource and environmental positions in his administration. While it will be a few more weeks (as we go to press) before we know for sure, the prime suspects for key slots are not reassuring.

Topping the potential list of "nightmare" appointees is Madeleine Kunin as head of the Environmental Protection Agency. Kunin, a former governor of Vermont noted for her socialist inclinations, is considered the frontrunner for this post. Her zeal for bureaucratic control over the private sector directly conflicts with the Clinton "mandate" to create jobs and a stronger economy.

At the Department of the Interior, Bruce Babbit of Arizona is the most likely Secretary. This would end the restraint displayed under New Mexico's Manuel Lujan for the past four years.

If recently retired Senator Tim Wirth (D-CO) is appointed as Energy Secretary the radical environmentalists will have captured every key post. EPA and Energy can be expected to collude to increase gasoline taxes and impose other "carbon taxes" on American consumers (especially coal users). Wirth is reputed to have declared that his main goal in life would now be to fight "global warming."

How Much is Enough?

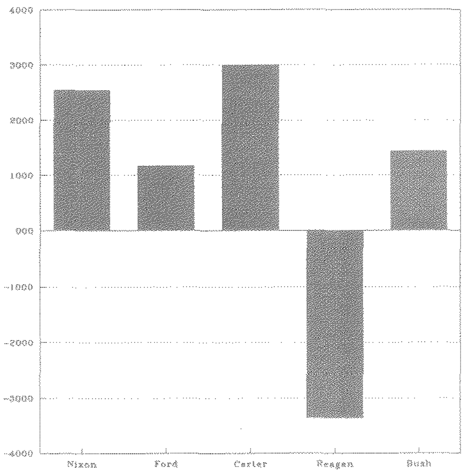
Since passage of the first Wilderness Act in 1964, over 95 million acres — one out of seven acres of federal land — have been removed from multiple use designation and declared permanent wilderness. Under Clinton/Gore, the pace is sure to accelerate. The next Congress is likely to move aggressively to enlarge wilderness designations in Alaska, California, Colorado, and Montana. There also is a push to more tightly restrict access to wilderness areas. So much for assurances that a wilderness designation can attract tourist dollars to a state — not if only a few backpackers are allowed to tread on the sacred ground.

Criminal Wetlands Regulations

In an ominous case for private landowners, marine engineer Bill Ellen has begun serving his jail sentence for violating federal rules governing wetlands. Ellen was hired by multimillionaire Paul Tudor Jones to create a state-of-the-art duck habitat on Jones' 3,000-acre tract near the Chesapeake Bay in Maryland. During the course of this work, the federal agencies regulating wetlands changed their interpretation of precisely which characteristics define a wetland. Ellen, who had secured over two dozen permits in the course of his operations, was told to cease all work until local bureaucrats gave him a green light. Because Ellen had contractual obligations to subcontractors, he did not instantly stop all operations. To his everlasting regret, he allowed two loads of dirt to be spilled onto the job site.

Ellen's employer, millionaire Jones, pled guilty to a misdemeanor and paid $2 million in fines. Jones also allowed the feds to extort a "conservation" easement across his land. Even more outrageous, however, is the sentence imposed on Ellen: six months in jail followed by four months of home detention. . . assuming Ellen's family still has a home, since he is the breadwinner for his wife and two sons.

Federal Regulatory Burden
(change in # of Federal Register pages)



Source: Office of the Federal Register, Washington, DC.

As we go to press, George Bush still refuses to pardon Ellen or commute his sentence. Bush, who campaigned on a "family values" platform, has abandoned Vietnam veteran and family-man Ellen. Bush continues to take poor advice from the same officials who caused him to lose the election.

CEI

Information on this page was provided by Kent Jeffreys, director of environmental studies at the Competitive Enterprise Institute, 233 Pennsylvania Avenue SE, Suite 200, Washington, DC 20003, phone 202/547-1010, fax 202/546-7757.

Focus on:

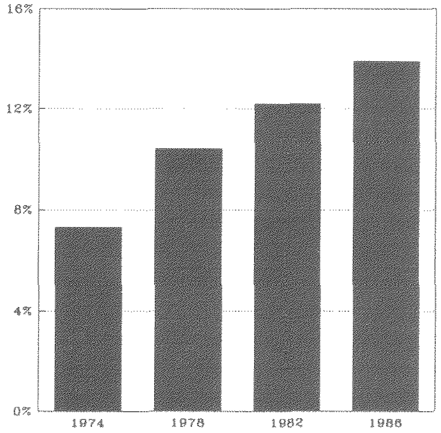
FAMILIES

Old and Divorced

Americans increasingly are entering their older years divorced, or are divorcing while elderly. Though the divorce rate runs lower among the elderly, a new study shows "the same upward trend" evident among younger Americans. Every year "at least 50,000 persons older than sixty years dissolve their marriages of thirty to forty years duration."

"The Late-Life Divorced: Another Look," *Journal of Divorce and Remarriage 17*, Nos. 3/4 [1992]: 135-149.

Divorced Women as a Percentage of All Women Aged 65 and Older



Tax Break

Higher tax exemptions for dependents encourage childbearing. A recent study demonstrates that an increase in the size of the income tax exemption for dependents has "a positive and significant impact" on fertility. One statistical model predicts that if the value of the dependent deduction increases "just over 10 percent, the average birth probability would increase by just over 8 percent."

"Taxes and the Family: The Impact of the Tax Exemption for Dependents on Marital Fertility," *Demography 29* [1992]: 215-223.

Without Husbands

Why has the number of female-headed households skyrocketed in the black community in recent decades? Results of a recent study "bolster neoconservative claims that black women's economic options outside of marriage impact single female-headship." In other words, "opportunities for black female employment and sheer availability of public assistance" may help to depress the marriage rate and elevate the divorce rate among young blacks.

"Black, Single Female-Headed Family Formation in Large U.S. Cities," *The Sociological Quarterly 33* [1992]: 473-480.

Saying 'No' to a Child-Care Tax

Local government officials cannot count on voter support for tax-funded day care. In June 1989, voters of Fremont, California, were asked in a special election whether they would pay a $12/year property tax on all residential dwelling units to pay for child care services. The initiative was "overwhelmingly defeated," with 77.6 percent of the voters opposing it.

A recent study of this unexpected resistance showed that most voters "viewed child care as a private benefit that should be paid for by parents." "Voters turned down the measure because they thought that the provision of child care for other people was not their responsibility, nor did they think it was a public responsibility."

"Financing Child Care Through Local Taxes: One City's Bold Attempt," *Journal of Family Issues 13* [1992]: 279-296.

No-Fault Effects?

Some scholars have argued that "no fault" laws adopted in the 1970s had no significant effect on divorce rates. But according to a new report, "to the extent that [an empirical test] indicates anything, [it] suggests that the shift . . . to a no-fault divorce law increased the frequency of divorce."

"Marriage and Divorce: Comment," *The American Economic Review 82* [1992]: 679-685.

Day-Care Disease

An intestinal disease that may prove both difficult and costly to diagnose is spreading in the United States, in part because more young children are receiving care in institutional centers rather than in their homes. According to a recent study, giardiasis has become an "increasing problem" in the United States because of "direct fecal-oral contamination." The difficulty is compounded when the disease is spread asymptomatically among children in "specialized settings such as day-care centers."

"Giardia Antigen Detection in Patients with Chronic Gastrointestinal Disturbances," *The Journal of Family Practice* 35 [1992]: 49-53.

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Information on this page was provided by Bryce J. Christensen, editor of *New Research*, a monthly supplement to *The Family in America*, published by The Rockford Institute. For more information, contact Allan Carlson or Dr. Christensen at The Rockford Institute, 934 North Main Street, Rockford, IL 61103, phone 815/964-5053, fax 815/965-1826.

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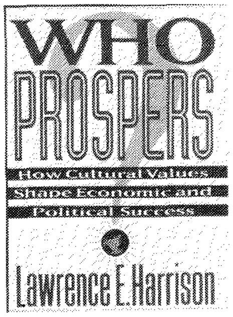

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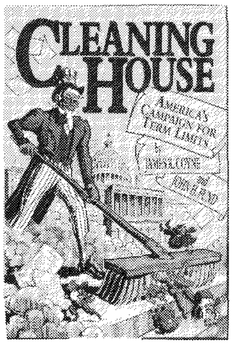

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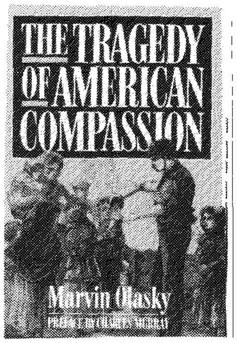

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Focus on:

HEALTH CARE

Hawaiian Model?

Hawaii requires employers to provide health insurance for workers and funds a State Health Insurance Plan (SHIP) to fill the gap between mandated insurance and Medicaid and Medicare. Supporters claim the programs are responsible for near-universal coverage on the island, the nation's longest lifespans and lowest infant mortality rates, and a spending level 25 percent less than on the mainland.

But supporters rarely mention that 90 percent of all Hawaiian workers were insured before the program was enacted; that the state's uninsured rate — 11 percent — is sufficiently close to the mainland's 13 percent to be attributable to unique geography; and public health statistics reflect the island population's easy-going lifestyles, sunny climate, low level of violence, and large share of persons of Asian descent.

Critics of the Hawaii plan add that spending on health care in Hawaii between 1980 and 1990 rose faster than it did in the rest of the nation — 191 percent vs. 163 percent. The program's escalating expense required an emergency appropriation from the legislature of $64 million in 1991, and underfunding of $34 million is anticipated for 1992.

See Conrad Meier, "Hawaii no health-care paradise," *Columbia Missourian*, October 14, 1992. Contact Meier at 314/875-8116.

A Message from France

A French court recently convicted three French doctors for knowingly allowing 1,200 hemophiliacs to receive HIV-tainted blood, leading to the death of at least 256 people.

The catastrophe is a grim forewarning of what is in store for Americans if advocates of national health insurance have their way. According to one news article, "The six-week trial became a sordid saga of doctors-turned-bureaucrats who put their annual budgets above patient care" and "the affair shook confidence in France's cradle-to-grave health system."

"National budgets" for health care encourage special interest groups to lobby for their private gain at the expense of doctors and patients. The enormous potential for injury posed by this politicization of medicine is the message from France.

President Clinton and Health Care

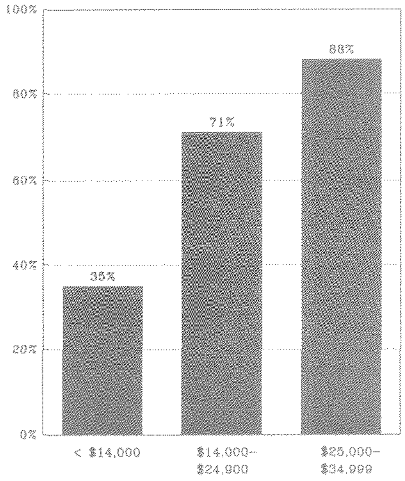
Near the end of his campaign for President, Mr. Clinton shifted his stand on health care reform away from "pay or play" and toward "managed competition." Such a plan, he said on NBC's *Today Show*, would "be a private system with market forces to take advantage of the opportunity of less government regulation but more government control."

Managed competition proposals typically require community-based rating of health insurance (to prevent "cherry-picking"), reward employers who purchase insurance through cooperatives (to help small businesses), and assign individuals not covered by employers to insurers bidding to cover large pools of individuals (to better spread risk).

Managed competition, since its first formulation in the 1980s by Alain Enthoven and Richard Kronick, has been a sincere but misguided effort to use new regulations to undo disorder and inefficiency caused by existing government policies. Rather than simply repeal the offending policies — insurance mandates, certificate of need programs, and preferential tax treatment of employer-paid insurance premiums but not medical expenses paid out-of-pocket — managed competition leaves these distortions in place and superimposes on them a new scheme of subsidies and regulations.

"Managed competition" is a true oxymoron. Let's hope the President shifts his stance once again, this time to address the underlying causes of rising spending and limited access to health insurance.

Families with Private Health Insurance, by Household Income



THE HEARTLAND INSTITUTE

Information on this page was provided by Joseph L. Bast, president of The Heartland Institute. For more information, contact The Heartland Institute, 634 South Wabash, Second Floor, Chicago, Illinois, 60605, phone 312/427-3060, fax 312/427-4642.

Focus on:

PRIVATIZATION

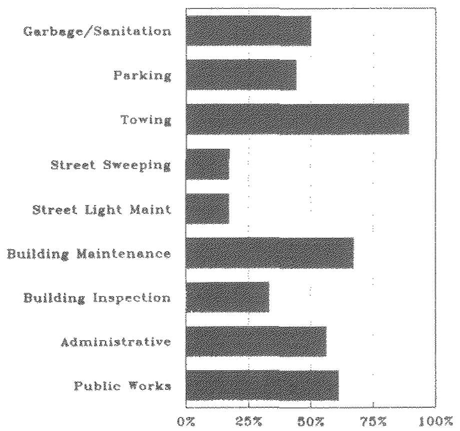
Illinois Task Force Convened

On November 5, Illinois Governor Jim Edgar created the Private Enterprise Review and Advisory Board to investigate expanding the role of the private sector in delivering state services.

"I believe privatization is an important alternative that we should consider as we work to continue providing the highest possible level of quality services to Illinois citizens within the serious fiscal constraints we face," Edgar said.

The 26-member board is scheduled to present its findings and recommendations to the Governor and General Assembly by March 1, 1993.

Extent of Municipal Privatization by Service



Source: Privatization 1992, Reason Foundation.

Protecting the Environment: Markets vs. Mandates

Privatization means more than just contracting out or selling state assets — it also means introducing market forces at the consumer end. *For example*: "Pay As You Throw" user fees for trash disposal — the more you throw away, the more you pay. This encourages the use of recyclables and low-volume packaging. Other examples include congestion pricing for toll roads and tradable air emission rights. Markets tend to work better than mandates.

Golf

Municipalities increasingly are adopting private management for their public golf courses.

In 1991, the Detroit City Council decided to competitively contract for private golf course management. According to Detroit's Director of Recreation and Parks, Dan Krichbaum, "It's been a win-win situation." Under its ten-year lease with a private management firm, instead of losses totalling $500,000 a year, Detroit *receives* $50,000 on each of the four courses, slated to increase to $200,000 by 1995. According to Krichbaum, the new management has "improved the condition of the courses and increased the number of rounds played," making capital improvements the city could not afford.

Such success is not unusual. New York City had been losing as much as $2 million a year on five publicly run courses. Now the city enjoys rent from each of the five, about $200,000 each depending on the courses' annual income. In Indianapolis, progressive Mayor Stephen Goldsmith will turn twelve city golf courses over to private managers.

Minnesota's World Trade Center For Sale

The Board of Directors of the Minnesota World Trade Center has established a Privatization Committee to explore sale of the facility. More than 120 parties have expressed interest, and six prospective buyers have been qualified on the basis of their experience and financial strength. The Board of Directors hopes to conclude the building's sale by the end of the year.

Mayor Takes a Stand in Philadelphia

Facing a budget disaster in a city already burdened by high taxes, Philadelphia's new mayor, Edward Rendell, stood in bold opposition to a major force in that city's political arena: the unions that represent municipal employees. Arguing that compensation and work rules were overly generous, Rendell demanded concessions on wages, benefits, and productivity.

Rendell, a Democrat, won office in January 1992 with 68 percent of the vote by promising a fresh approach to managing the city. In May, he began formally notifying unions that the city was "contemplating" privatization, and in the showdown that followed he demonstrated a commitment to making sure taxpayers got the services they paid for.

See "A Different Kind of Courage" on page 19 for more details on privatization in Philadelphia.

Reason Foundation

Information on this page was provided by John O'Leary and William Eggers of the Reason Foundation. For more information, contact the Reason Foundation, 3415 South Sepulveda Boulevard, Suite 400, Los Angeles, CA, 90034, phone 310/391-2245, fax 310/391-4395.

Privatization Hotline 310/391-6525.

Focus on:

TAXES

Taxing Way to Reward Friends

The states that will bear the brunt of President Clinton's proposed tax increases are, ironically, the very states whose electoral support boosted him to victory on November 3rd. In fact, nine of the ten states that will absorb the bulk of Clinton's tax hikes helped send him to the White House. California, New York, New Jersey, Connecticut, Massachusetts, Maryland, Delaware, New Hampshire, and Illinois handed over a whopping 161 electoral votes and will end up paying 44 percent of Clinton's total tax increases. These same states already are paying the largest share of federal taxes collected.

Biggest Tax Increase Ever on the Way

Bill Clinton's economic plan proposes a bigger tax increase than any ever enacted, one that intends to raise $238 billion over the next four years. That works out to an average tax hit of $952 for every man, woman, and child in America. Since Clinton's tax hikes are targeted principally at upper-income individuals and corporations, their impact will not be felt evenly across the nation. States with large and growing numbers of higher-income earners and a profitable corporate base will pick up most of the tab. These states stand to lose the most workers, investors, and businesses as they adjust to a higher-tax environment.

Losers All, Big and Small

While no state could be called a winner if President Clinton's tax increases are enacted, some states clearly will lose less. Utah, Arkansas, West Virginia, and Mississippi will suffer the least. By contrast, residents of Connecticut, New Jersey, Massachusetts, and New York will face the largest per-capita tax increases. Each person in Connecticut would pay $390 more in 1993 alone. By comparison, individuals in Arkansas will each pay an additional $148 next year.

How Will the States Respond?

Having received the majority of the popular vote only in his home state of Arkansas, President Clinton clearly does not have a tax hike mandate, and he is likely to see strong opposition from the many states that are having difficulty reconciling their own fiscal problems. A 1991 *Los Angeles Times* poll revealed that 78 percent of individuals believed state-level governments were more likely than the federal government to spend tax dollars in an efficient and constructive way. While Californians were casting their votes for Bill Clinton, they were at the same time rejecting Proposition 167, a tax plan strikingly similar to Clinton's own, with tax hikes on top income earners and corporations.

Projected 1993 Cost

Clinton Proposed Tax Hike

State	Increase in Per-Capita Tax Burden	Rank
Connecticut	$390	1
New Jersey	$355	2
New York	$312	3
Massachusetts	$308	4
Alaska	$291	5
National Average	$236	–
Utah	$159	46
Montana	$157	47
Arkansas	$148	48
West Virginia	$143	49
Mississippi	$129	50

Tax Legislation on the Drawing Board

Legislation vetoed in late 1992 by George Bush is likely to be the model for a tax bill to be considered by the 103rd Congress in early 1993. The proposal is likely to: increase from 31 to 36 percent the top tax rate on individuals with annual incomes more than $200,000; impose a "millionaire's surtax"; and increase taxes on foreign corporations doing business in the U.S.

Bottom Line

In 1992, the average American spent 81 days working to pay his share of federal taxes. The impact of President Bush's pledge-breaking tax increases from the 1990 budget deal will add an additional $32 billion, or $128 per person, each year to taxpayers' federal bill over the next several years. Add to this Clinton's proposed billions, and every American will be working even longer for Uncle Sam.

TAX FOUNDATION

Information on this page was provided by William Ahern, director of public information at the Tax Foundation. For more information, contact the Tax Foundation, 470 L'Enfant Plaza SW, Suite 7400, Washington, DC 20024, phone 202/863-5454, fax 202/488-8282.

Focus on:

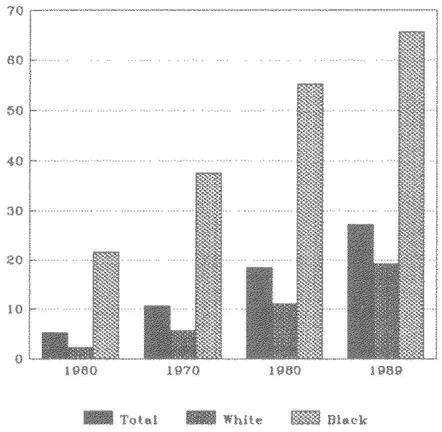
WELFARE

One Child in Eight on Welfare

One child in eight in the U.S. is in a family that receives "welfare" in the form of cash income through Aid to Families with Dependent Children. Some 22 percent of U.S. children born in the early 1970s received AFDC for at least one year before reaching their 15th birthday. Fifty-five percent of black children born in the early 1970s received AFDC before reaching age 15.

Nicholas Zill and Kristin A. Moore, *The Life Circumstances and Development of Children in Welfare Families: A Profile Based on National Survey Data* (Washington, DC: Child Trends Inc., 1991).

Births to Unmarried Mothers
As a Percent of All Births



Source: National Center for Health Statistics

Illegitimacy Most Common Cause of Welfare Dependence

Fifty-four percent of the children in AFDC families were born out of wedlock. Thirty-three percent were children of divorced or separated parents.

Committee on Ways and Means, U.S. House of Representatives, *Overview of Entitlement Programs: 1992 Green Book* (Washington, DC: U.S. Government Printing Office, 1992), page 669.

Illegitimacy During "War on Poverty"

When the War on Poverty began in the mid-1960s, roughly one black child in four was born out of wedlock. Today the rate is two out of three. If current trends continue, three out of four black children born in the year 2000 will be illegitimate. Similar increases in out-of-wedlock births are occurring among low-income whites.

Robert Rector, "Requiem for the War on Poverty: Rethinking Welfare After the L.A. Riots," *Policy Review*, Summer 1992.

Illegitimacy Linked to Welfare

Higher welfare benefits in the AFDC program play a key role in the sharp rise of illegitimate births. Roughly half of the increase in black illegitimacy since the mid-1960s can be attributed to higher benefits and more lenient eligibility standards under the Aid to Families with Dependent Children (AFDC) program.

C.R. Winegarden, "AFDC and Illegitimacy Ratios: A Vector-AutoRegressive Model," *Applied Economics*, No. 20, 1988.

Family Breakdown Fuels Crime

Research by Dr. June O'Neill, Director of the Center for the Study of Business and Government at Baruch College in New York City, shows that being raised in a single-parent family increases the criminal activity of young black men. O'Neill found that young black men raised in single-parent families were twice as likely to engage in crime than black men raised in two-parent families — even after controlling for family income, urban residence, neighborhood environment, and parent's education. Growing up in a single-parent family in a neighborhood with many other single-parent families on welfare triples the probability that a young black man will engage in criminal activity.

M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants*, forthcoming paper, research funded by Grant No. 88ASPE201A, U.S. Department of Health and Human Services.

Becoming Accustomed to Dependence

Single mothers who were reared in families receiving welfare remain on AFDC longer as adult parents than single mothers who were not raised in welfare families, even when all other social and economic variables are held constant. The author suggests that women raised in welfare families become accustomed to and are comfortable with a welfare lifestyle. Changes in regional unemployment rates also affect the rate of exodus from welfare.

S. Kimenyi, "Rational Choice, Culture of Poverty and Intergenerational Transmission of Welfare Dependence," *Southern Economic Journal*, April 1991.

Information on this page was provided by Robert Rector, policy analyst for social, welfare, and family issues at The Heritage Foundation. For more information, contact The Heritage Foundation, 214 Massachusetts Avenue NE, Washington, DC 20002, phone 202/546-4400, fax 202/544-2260.

The Heritage Foundation

RESEARCH REPORT

Summaries of Research on State and Local Public Policy

See pages 29-31 for the addresses and telephone numbers of the publishers of research cited here.

BUDGET

Self-Perpetuating Budget Deficits. When government programs are funded through deficit spending rather than taxes, the true cost of government is hidden from voters and taxpayers. They perceive that government costs less than it really does; thus they allow government to grow, spend more, and add to the deficit. To stop the process, policies must be adopted to bring the price of government more into line with the value of government services. Gary and Aldona Robbins, "Taxes, Spending, and Deficits: The Crisis in Government Finance," *IPI Policy Report No. 119*, September 1992, The Institute for Policy Innovation.

California Legislature Seeks to Evade Prop 140 Budget Caps. The chief sponsor of Proposition 140 — the sweeping term limits measure passed by Californians in 1990 — has filed suit against the state legislature for attempting to circumvent budget restraints mandated by the measure. Prop 140 capped the legislature's budget at roughly $116 million in 1992-93; the legislature is attempting to circumvent that rule by excluding from its calculations the $53 million budget of the Legislative Counsel Bureau. "PLF Attorneys File Suit Against California Legislature for Violating Voter-Imposed Spending Limits," *At Issue*, October 19, 1992, Pacific Legal Foundation.

CIVIL RIGHTS

Beware of Compromise on Gun Control. Political compromises — such as handgun registration or waiting periods — will not keep opponents of the Second Amendment from seeking even tighter restrictions on gun ownership. "The compromises we make today become the starting point for tomorrow's new negotiations." Larry Pratt, "Compromise Is Killing the Second Amendment," *The Gun Owners*, September/October 1992. Contact Gun Owners of America, Inc., Suite 102, 8001 Forbes Place, Springfield, VA 22151; phone 703/321-8585.

The End of Affirmative Action? During the 1970s and 1980s, growth in the professions of law and medicine enabled them to accommodate affirmative action efforts without closing the professions entirely for white men. Today there are too many qualified applicants; the professions cannot employ them all. *Implications:* (1) proof of discrimination will require more than statistics showing disproportionate representation; and (2) quotas, timetables, goals, and race-norming must be abandoned so the burden of the "shrinking professions" is not borne by any one group. Timothy Maguire, "The End of Affirmative Action?" *Diversity & Division*, Fall 1992. Contact the Madison Center for Educational Affairs, 1112 16th Street NW, Suite 520, Washington, DC 20036; phone 202/833-1801.

EDUCATION

Illinois Taxpayers Defeat Education Establishment. Illinois voters on November 3rd rejected a proposed state constitutional amendment that would have made "free schools" a "fundamental right," giving state government "preponderant responsibility" for financing public schools. *Good thing, too:* The proposed amendment would have required a $2 billion increase in state tax revenues, costing the state nearly $12 billion in personal income and 250,483 lost jobs every year. Robert J. Genetski and Joseph L. Bast, "The Illinois Education Amendment: An Assessment," *Heartland Policy Study No. 53*, October 26, 1992, The Heartland Institute.

Putting Parents and Children First. "Parents have the right to decide on the quality and the type of education their children receive. If their kids need a private, parochial, independent school education, they have the right to make that decision and their taxpayer dollars ought to go where they want their children educated, and not to some bureaucracy that says they know better." Polly Williams, "School Choice: A Vehicle for Achieving Educational Excellence in the African-American Community," *The Heritage Lectures 414*, 1992, The Heritage Foundation.

Minnesota Choice Program Evaluated. A comprehensive new study of Minnesota's public school choice program found 95 percent of parents said their children's performance in and satisfaction with school had either improved or stayed the same; most parents reported that their decision to change schools was prompted by academic considerations. *Why more students don't choose different schools:* State law prohibits active advertising or recruitment of students outside of district boundaries, and many parents reported being pressured by staff from their resident district not to leave the district. *Minnesota's Open Enrollment Option*, 1992. Contact Policy Studies Associates, Inc., 1718 Connecticut Avenue NW, Suite 400, Washington, DC 20009, phone 202/939-9780.

Preparing for School-Based Management. Pitfalls await those interested in adopting a school-based management program. But forewarned is forearmed: "If potential pitfalls can be identified in advance, then program monitoring and evaluation can focus specifically on some of these areas. Once weaknesses have been pinpointed, corrective strategies can be developed." Raymond J. Golarz, "School-based Management Pitfalls: How to Avoid Some and Deal With Others," *The School Community Journal*, Spring/Summer 1992. Contact the Center for the School Community, P.O. Box 234, Lincoln, IL 62656; phone 217/732-1619.

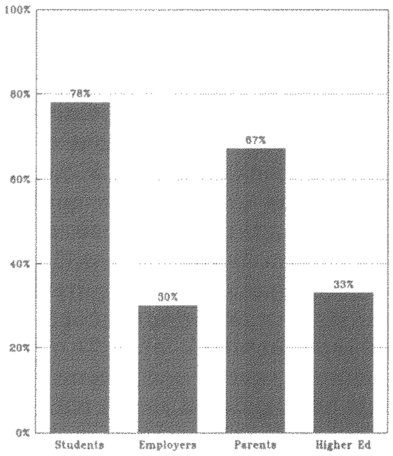
Teacher Strikes Continue. As of October 1992, 25 teacher strikes in nine states had idled over 18,000 teachers and nearly 284,000 students. Over half the affected teachers and students are in Michigan, which had nine strikes against it. Back-to-work orders have ended strikes in Warwick, Rhode Island and Detroit, Michigan. "Courts Order End to Two Strikes, Arkansas Teachers Strike," *The Government Union Critique*, October 2, 1992. Contact the Public Service Research Foundation, 1761 Business Center Drive, Suite 230, Reston, VA 22090; phone 703/438-3966.

Choice Options Expand in New York. In the 1980s, an innovative set of choice-oriented reforms in East Harlem, New York gave teachers the opportunity to create new schools and parents the freedom to choose among them. Now schools on the city's Upper West Side have adopted the East Harlem model. The two districts have transformed their "middle and junior high schools into a full system of choice — one that encourages enterprise among teachers, creates new schools, and educates parents and students about a new approach to public education." Nathan Glazer, "No Excuses for Failure: Urban Schools in Transition," *The City Journal*, Autumn 1992, Manhattan Institute.

The Success of Independent Neighborhood Schools. Independent neighborhood schools — hundreds of which exist in inner-city neighborhoods and are owned and operated by families, community groups, and churches — occupy an important niche in American education. *Research results:* Most students perform above the national norm on standardized tests; most alumni are attending college or are employed; students and alumni develop a strong attachment to their schools and even after graduation return to participate in school activities. Joan Davis Ratteray, Project Director, *On the Road to Success: Students at Independent Neighborhood Schools*, 1991. Contact the Institute for Independent Education, 1313 North Capitol Street NW, Washington, DC 20002; phone 202/745-0500.

Education Goals Reminder. The U.S. Department of Education's America 2000 program has established six national education goals: (1) all children ready for school; (2) 90 percent graduation rate; (3) all children proficient in at least math, science, English, history, and geography; (4) first in the world in math and science; (5) every adult literate and able to compete in the workforce; (6) drugs and violence out of the schools. For more information contact America 2000, U.S. Department of Education, Washington, DC 20202-0498.

Who Thinks Students Are Good at Reading?



Harris survey cited by Chester E. Finn, Jr., "Our Schools and Our Future," Center of the American Experiment.

What Drives Education Cost Increases? Annual real expenditures per pupil in the United States have tripled since 1960, climbing to a national average of over $5,500 in 1991. "The driving force behind the increase . . . is neither the number of students or improved quality. Rather it is the fault of a bureaucratic infrastructure so out of control that in many places the ratio of bureaucrats to teachers is actually greater than that of teachers to students!" Patricia Farnan, "The Cost of Failing Public Schools," *The State Factor*, August 1991, American Legislative Exchange Council.

How to Lie with Statistics: The Carnegie Report on Educational Choice. The anti-school choice Carnegie Foundation for the Advancement of Teaching has released a report riddled with factual errors and deceptive reporting. *Examples:* The report claims that "in states where school choice has been adopted, less than 2 percent of parents participate in the program," yet participation in choice programs is 100 percent in East Harlem, New York and Cambridge, Massachusetts, and a 1991 survey found that 32 percent of all children attend schools their parents choose. Polling data purporting to show parents do not support choice used language designed to elicit the desired responses. "The Carnegie Foundation on School Choice," October 30, 1992. Contact the U.S. Department of Education, Center for Choice in Education, 400 Maryland Avenue SW, Washington, DC 20202.

ENVIRONMENT

Air is Getting Cleaner, Not Dirtier. You'd never guess it by watching the evening news, but the latest data from the EPA show air quality in the U.S. improved dramatically in the past ten years. Carbon monoxide emissions fell 31 percent; lead, 90 percent; nitrogen dioxide, 8 percent; ozone, 13 percent; and sulfur dioxide, 2 percent. Despite improvements, the Clean Air Act requires cities designated as nonattainment areas to continue to reduce polluting emissions, even though pollution levels now meet health standards. *National Air Quality and Emissions Trends Report, 1991.* Contact the American Petroleum Institute, 1220 L Street NW, Washington DC 20005, phone 202/682-8129.

Private Property and the Environment. The Washington Research Council has compiled the proceedings of a recent conference addressing the growing conflict between private property rights and environmental regulation. Participants considered whether private, free-market solutions offer a better way to protect the environment than government regulation. Prof. Richard A. Epstein, author of the landmark book *Takings: Private Property and the Power of Eminent Domain*, presented a keynote address on "Private Property and the Politics of Distrust." *Drawing the Line: Property Rights and Environmental Protection* (158 pages, $13.00, 1992), Washington Research Council.

EPA Proposes "Takeover" of Indoor Air. Allowing the EPA to regulate indoor air quality could cost more lives than it saves. "Trying to regulate the source of each indoor air pollutant, the way the EPA regulates outdoor air, would cost workers income, jobs, and even their lives." *Better*: Leave the problem to employers and building owners, who have strong incentives to heal "sick buildings" in order to improve worker productivity and avoid lawsuits. Dwight R. Lee, "The Next Environmental Battleground: Indoor Air," *NCPA Policy Report No. 174*, November 1992, National Center for Policy Analysis.

Natural Environmental Problems Beyond Our Control. "Human-caused environmental problems such as waste management and pollution are amenable to solution and great strides have already been made. But so-called environmental issues like climate change and the destruction of ozone are natural phenomena." Dixy Lee Ray, Senior Scholar in the Department of Environmental Health and Safety at the University of Maryland, warns against "ill-advised, hasty, and costly solutions to problems that may not even exist." Dixy Lee Ray, "Global Warming and Other Environmental Myths: The Economic Consequences of Fact vs. Media Perception," *Research Reports*, October 5, 1992. Contact the American Institute for Economic Research, Great Barrington, MA 01230.

Public-Private Partnerships for the Environment. A new 38-page guide for state legislators offers an introduction to public-private partnerships for the environment; practical advice on how to implement such partnerships; and model legislation and service contracts. The guide was prepared by the Energy, Environment and Natural Resources Task Force of the

How Do Canadians Cope?

By Jeffrey S. Morris, M.D., F.A.C.S.

CLEVELAND, OHIO — Looking at the rosy picture painted by proponents of Canada's universal health care system, you'd never know that health care costs in Canada are rising fast. You'd never know that there is more and louder grumbling about delays in elective surgery and other procedures.

What do Canadians in urgent need of health care services do? Many seek medical assistance in the United States.

The U.S. health care system serves as a safety valve for the Canadian health care "pressure cooker." Canadians are welcome visitors at U.S. hospitals and clinics, where they undergo procedures such as cardiac surgery, joint replacement, cataract surgery, and even drug addiction treatment. Border cities — Detroit, Buffalo, and New York, for example — report an influx of Canadians seeking health care services, especially towards the end of the year when Canadian hospitals are forced to limit services and close beds to meet their budgets.

Much of the health care provided to Canadians in the United States is subsidized by the Canadian government. In 1990 alone, the Ontario Health Insurance Program (OHIP) paid *$214 million* for health care provided to Canadians by U.S. doctors and U.S. hospitals — this from just one Canadian province! In Windsor, Ontario, the local medical society transported 250 patients to Detroit for open heart surgery in 1991. The University of Washington in Seattle actually has a contract with the British Columbia government to perform cardiac surgery on Canadian patients in order to decrease the backlog in Canada.

Unfortunately, not everyone in Canada has access to U.S. health care facilities. Those Canadians who are not selected for special programs allowing treatment in the U.S. must stand in long lines for needed health care. Unless, of course, they have the money to travel to the United States for treatment at their own expense. The Premier of Quebec traveled to the U.S. to have a malignant tumor on his lower back removed. If the health care system in Canada is so good and so equitable, why should the country's leaders go to the U.S. for health care while everyone else stands in line?

> Canadians in urgent need of health care services come to the United States.

Americans have different expectations of health care than do the citizens of other countries, including Canada. We are not accustomed to waiting months for needed medical care, and we *are* accustomed to having the latest technology. Most Americans would not agree to wait six months for diagnostic and surgical procedures they need today.

Americans want and should be able to seek the finest medical care that science and technology can provide. Only a health care industry free of government interference can offer such a system.

# # #

Dr. Jeffrey S. Morris is an orthopedic surgeon who practiced in Canada for seven years before coming to Cleveland.

American Legislative Exchange Council. Wendell Cox and Samuel A. Brunelli, *Environmental Partners Book I*, August 1992, American Legislative Exchange Council.

Tax Dollars for PR Firms. The National Tree Trust, launched two years ago with $20 million in taxpayer funds, reports as its largest expense a $600,000 contract signed in September 1992 with a well-connected public relations and consulting firm. The Trust has given away just 290,000 tree seedlings (worth 20 cents each and donated to the Trust) and made only a single cash grant of $5,000 to finance a meeting of volunteer forestry groups in Houston. It has raised no private funds. Associated Press, "Tree trust plants funds for publicity," *Chicago Tribune*, November 22, 1992.

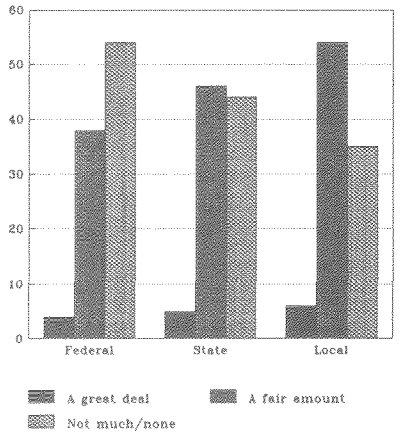
Virginia is not California. Adoption in Virginia of a California-style Low Emission Vehicle (LEV) program would increase the purchase costs for Virginia car buyers by at least $128 million. Moreover, this "estimate does not take into account consumer costs from related programs such as an expanded emission testing program, alternate fuel mandates, or other costs that will result from compliance with the [Clean Air Act]." Lethia C. Fisher, "Testimony to the Senate Joint Resolution 104 Subcommittee," October 8, 1992, Virginia Citizens for a Sound Economy.

GOVERNMENT

Thomas Jefferson on Term Limits. In a February 5, 1947 editorial, *The New York Times* invoked the words of Thomas Jefferson: "[The principles of our Constitution] are wisely opposed to perpetuations of power. . . . The danger is that the intelligence and attachments of the people will keep a man in the chair after he becomes a dotard, that re-election for life shall become habitual and election for life follow that." "Posthaste Facts on Congressional Term Limits," October 1992, National Center for Public Policy Research.

Prosperity or Planning? Jim Powell, in a book review for Laissez Faire Books, comments on *Prosperity Versus Planning: How Government Stifles Economic Growth*. Powell writes, "[Political scientist David] Osterfeld reports that the more bureaucrats interfere with an economy, the more wretched people tend to be." By contrast, "free markets enable people to improve their lives fast. . . . The world's richest nations, he notes, all started out poor. He shows why they prospered because of individual rights, private property, and free markets." David Osterfeld, *Prosperity Versus Planning: How Government Stifles Economic Growth* (Washington, DC: Cato Institute/Oxford University Press, 1992), $19.95.

Constituent Confidence in Government



Source: Changing Public Attitudes on Government and Taxes Advisory Commission on Intergovernmental Relations, 1992.

Term Limits Needed in Ohio. Legislators who make a career commitment to politics are more likely to vote in favor of a larger role for government. *Examples*: Between 1962 and 1966, when turnover in the Ohio House of Representatives was 35 percent, state and local governments in Ohio absorbed less than 12 percent of the state's personal income. Between 1986 and 1990, legislative turnover had fallen to just 16 percent, and state and local governments consumed nearly 17 percent of the state's personal income. James L. Payne and Michael Jerbich, "Curbing the Governmental Class: How Term Limits Can Restore a Citizen Legislature in Ohio," *Heartland Policy Study No. 52*, October 23, 1992, The Heartland Institute.

States' Industrial Policy Misdirected. "The sharp divergence between political and economic criteria of success shows the principal danger of industrial policy." A government-run agency cannot "pick winners" as effectively as can the marketplace, because the agency lacks: *information* (provided in the market by investors and consumers) and the *incentive* to succeed (provided in the market by the profit motive). Frank W. Bubb, "Can 'Industrial Policy' Work?" *Economic Education Bulletin*, October 1992. Contact the American Institute for Economic Research, Great Barrington, MA 01230.

Term Limits Essential to Democracy. America is suffering from an acute crisis in what was once our greatest pride and asset: our ability to govern ourselves. Congress, according to columnist and author George Will, has become an "incumbency machine" whose members have strayed far from the Founders' notions of democracy. *Solution*: A strong outside restraint on Congress — term limitation. George F. Will, *Restoration: Congress, Term Limits, and the Recovery of Deliberative Democracy* (New York, NY: Free Press/ Macmillan, 1992), $19.95.

Wanted: Empowered and Motivated Citizens. "As citizens empowered to govern ourselves, we should also be willing to reassert our role on a community level. And it is high time we did so." *Goals we should seek:* revitalized local government, term limits, taxpayer commissions, balanced budgets, and fiscal accountability. Alan Keyes, "Why 'Good Government' Isn't Enough," *Imprimis*, October 1992, Hillsdale College.

How Congress Ranks on Private Property Issues. Because "the Federal government has developed an 'attitude' toward private property and private property owners," the second Congressional *Private Property Vote Index* was compiled by the League of Private Property Voters and National Inholders Association. Senators' and Representatives' voting records on 23 private property issues are reported. *1991-92 Congressional Private Property Vote Index*, September 1992. Contact the League of Private Property Voters, Box 423, Battle Ground, WA 98604; phone 206/687-1471.

Candidates Surveyed on Tax/Spend Issues. Republican, Democrat, Libertarian, and Independent congressional candidates were surveyed on eight key federal tax and spending issues. "1992 Congressional Candidate Survey," *Dollars & Sense*, November 1992, National Taxpayers Union.

Stop Me Before I Re-Elect Again. While most incumbent state and federal legislators were re-elected, term limits won voter approval — by an average of 66 percent — in all 14 states where they appeared on the ballot. *Winning margins:* AZ, 74 percent; AR, 60 percent; CA, 63 percent; FL, 77 percent; MI, 59 percent; MO, 74 percent; MT, 67 percent; NE, 68 percent; ND, 55 percent; OH, 66 percent; OR, 69 percent; SD, 63 percent; WA, 52 percent; WY, 77 percent. "Term Limit Initiatives," *FYI*, November 12, 1992, American Legislative Exchange Council.

HEALTH

A Succinct and Hard-Hitting Guide to Health Care for State Policy Makers. State legislators don't have to sit by while the federal government "fixes" the nation's health care system. A state-level free-market reform agenda would include: deregulating the health care industry, privatizing Medicaid by using vouchers, giving tax breaks for contributions to medical savings accounts, and revising high-risk pools. Most national reforms, including "managed competition" and "pay or play," would be disastrous. Michael D. Tanner, *Getting Off the Critical List: A Prescription for Health Care Reform in Georgia* (Atlanta, GA: Georgia Public Policy Foundation, 1992), $12.95.

Principles of Health Insurance Reform. (1) Health insurance should be consumer-, not employer-, based. (2) Tax reform should encourage consumers to purchase medical care out-of-pocket. (3) Tax credits and vouchers should be used to allow the disadvantaged to purchase the medical care they need in a free market. Edmund F. Haislmaier, "A Policy Maker's Guide to the Health Care Crisis: The Right Road to Health Insurance Reform," *Heritage Talking Points*, November 5, 1992, The Heritage Foundation.

The States Should Try Health Care Reform. Although the federal govern-

Privatization

A Different Kind of Courage

By John O'Leary

LOS ANGELES, CALIFORNIA — Earlier this year, Connecticut Governor Lowell Weicker won the John F. Kennedy *Profiles in Courage Award*, for being "courageous" enough to impose an income tax after the state had managed to spend beyond its means. Perhaps next year's award committee will consider Philadelphia's Mayor Edward Rendell, who displayed a different kind of political courage — the courage to say "No."

Facing a budget disaster in a city already burdened by high taxes, the new mayor stood in bold opposition to a major force in that city's political arena: the municipal employees unions.

Rendell stood firm during a summer of strikes. He took his case to the people of Philadelphia, publicizing what he described as the "incredible level of benefits" enjoyed by the city's blue-collar workforce, which included up to 52 days off a year, including Flag Day and Lincoln's Birthday. And he presented privatization and layoffs as alternatives he would consider.

Faced with the threat of private-sector competition, the unions capitulated just 16 hours after declaring a work stoppage. In exchange for a promise of no layoffs, the city's workers accepted a deal that included a total wage increase of just 5 percent over the next four years, and a 25 percent reduction in paid medical benefits. And instead of 52 paid non-work days, entry-level workers will have to be content with just 43.

It is said that government occasionally does the right thing, but usually only after exhausting all other alternatives — and Philadelphia certainly had exhausted all other alternatives. Taxes had been raised 19 times in the previous decade: A family of four earning $25,000 paid 13 percent to the city. The city's crisis peaked in the summer of 1990, when it couldn't sell its bonds and suspended both pension and vendor payments. Its credit rating dropped to B (highly speculative) and an intergovernmental agency from Harrisburg was given oversight authority to assure that the city acted in a fiscally responsible manner. The agency borrowed $475 million on the city's behalf to avoid default.

> **Philadelphia mayor Edward Rendell had the courage to say "no" to union leaders.**

Philadelphia still has a long way to go. Precious few city services actually were opened up to competitive bidding. And the mayor would do well to consider the recommendations of a 1991 report by the Task Force on Government Efficiency, which found that the city could enjoy a windfall of over $800 million by selling off such assets as Philadelphia International Airport, the Philadelphia Gas Works, and several parking garages — not counting tax revenues that would be generated if these assets were privately held. These qualifications notwithstanding, Rendell has made a good start.

Says Rendell, "The good news is we won a monumentally important battle that may turn the tide of the war." The bad news? "We've got a lot of other battles to win."

# # #

John O'Leary is with the Reason Foundation's Privatization Center.

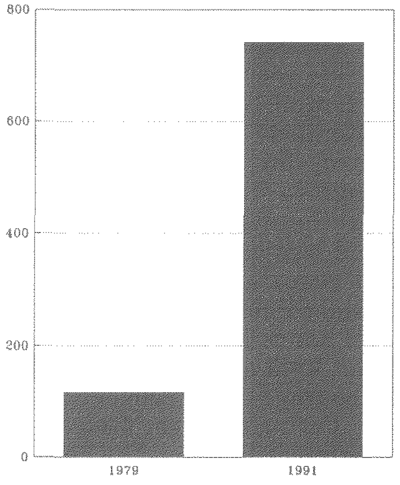
ment permits them to operate within only a "limited framework," the states should experiment with health care reform. Massachusetts, for example, has replaced rate-based hospital reimbursements with a competitive hospital finance system. The state also has adopted a statewide Medicaid-managed care initiative and privatized mental health and substance abuse services. Charles Baker, "Health Care Reform in Massachusetts: Implications for State Health Care Policies," *The Heritage Lectures 413*, 1992, The Heritage Foundation.

States Can Act on Health Care Reform. While pushing Congress to enact market-based reform of the health care industry, state officials also can act directly to lower health care costs for their constituents. *Three reforms:* Reduce state health insurance mandates; adopt malpractice reform to encourage arbitration instead of litigation; cut taxes so all citizens have more money to spend on health care. Erica E. Gum, "Slaying the Health Care Dragon," *Carolina Journal*, October-November 1992, The John Locke Foundation.

Beware "Managed Competition." Proposals for so-called "managed competition" are touted by proponents as "one last chance" for markets to work in health care. In fact, however, such proposals move health care toward greater government control. *Reality check:* Managed competition proposals call for tax increases, one-size-fits-all HMO-type insurance plans, new federal health care programs, and a "national health care board." Roy E. Cordato, "The Managed Competition Act of 1992: A Wolf in Sheep's Clothing," *IRET Byline No. 108*, October 9, 1992. Contact the Institute for Research on the Economics of Taxation, 1331 Pennsylvania Avenue NW, Suite 515, Washington, DC 20004-1774; phone 202/347-9570.

A Libertarian Agenda for Health Care Reform. Socialized medicine (that is, universal, mandatory, or national health insurance) and the status quo are not the only directions available for health care reform. *Moves in the right direction:* free insurance companies from government regulation, deregulate medical research and marketing, end drug prohibition, privatize Medicare and Medicaid. Jarret B. Wollstein, "National Health Insurance: A Medical Disaster," *The Freeman*, October 1992, The Foundation for Economic Education.

Health Care Lobbying Groups in the United States



Source: The Economist, October 16, 1992.

Paradigm Shift Needed in Health Care. Government intervention in health care produces uninformed consumers who take little responsibility for their own health. A paradigm shift in health care — away from top-down central planning and toward bottom-up, consumer-oriented decision making — offers the solution to the current health care crisis. Paul Smith, MD, "A Brief History of Health Care Policy," *Health Care Policy Insight #1*, October 1, 1992, Cascade Policy Institute.

Which Role for Health Insurance? Health industry reform in the U.S. has been sidetracked and stymied by disagreement over the proper role of health insurance. Health insurance as we know it today is not true insurance — which protects a person against the cost of a risky event — but rather prepayment for the consumption of medical care. This shift in the role of health insurance largely explains the rapid escalation of health care costs. John C. Goodman, "A Layperson's Guide to Health Insurance Reform," *Policy Backgrounder No. 121*, September 28, 1992, National Center for Policy Analysis.

Consumer-Oriented Health Reforms Needed. "Consumers should be allowed to choose their health care and coverage from a wide array of options, . . . offering maximum freedom of choice while providing sufficient coverage and good quality care at costs that all our citizens could afford." *Key elements:* tax credits for individuals who purchase health insurance and for out-of-pocket medical expenses; repeal of state mandated benefits to permit purchase of "no-frills" policies; repeal of medical licensing laws and those that restrict consumers' use of paraprofessionals. Terree P. Wasley, "Keeping America Healthy: A Solution to the Problem of Health Care in America," *IPI Policy Report No. 120*, October 1992, The Institute for Policy Innovation.

HIGHER EDUCATION

Campus Speech Codes Are About Power. "In [a university] environment where people live by their wits, and in which 'critical perspective' is almost a standard part of faculty job descriptions, shielding some sensibilities while allowing an open season on others produces a marked stratification of intellectual power." When the Supreme Court rejected a St. Paul hate-speech ordinance, it recognized this "partisan" nature of speech codes and rejected such "playing favorites" by government. Steven Balch, "Outlook," *NAS Update*, Volume 3, Number 3. Contact the National Association of Scholars, 575 Ewing, Princeton, NJ 08540; phone 609/683-7878.

What Should a University Be? The National Association of Scholars will hold its fourth annual convention at the Holiday Inn at Union Square, San Francisco, April 16-18, 1993. Among the topics: can higher education be mass education?; patronage, politicians, and the university; and the mission of the university: intellectual discovery or social transformation? Contact the National Association of Scholars, 575 Ewing, Princeton, NJ 08540; phone 609/683-7878.

Improving the Market for Higher Education. While something like a market currently exists for higher education — universities compete for students, visibility, research grants, and prestige — higher education "is squarely part of the public sector, seeming to require not only state financing but state planning of its functions." Such a politicized system does not serve well the interests of consumers (students). *Better*: Instead of having the state appropriate funds directly to the institutions that provide educational services, give the funds to students in the form of vouchers. Cecil Bohanon, "Funding Higher Education in Indiana," *Indiana Policy Review*, November-December 1992, Indiana Policy Review Foundation.

LAW

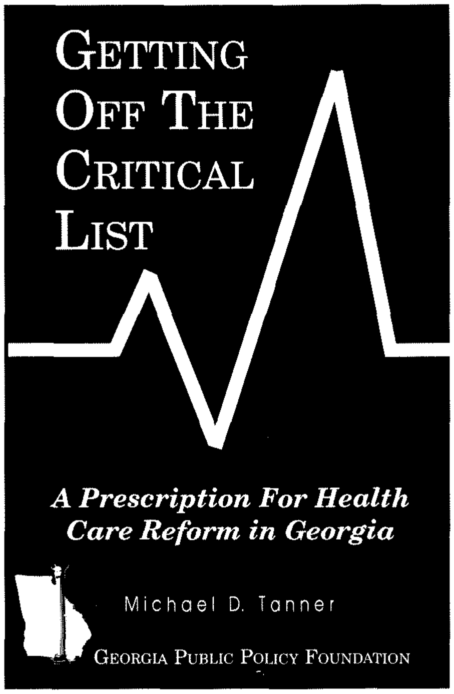
Costs of the Litigation Explosion. Product liability costs for U.S. firms are 20 to 50 times higher than those borne by foreign firms. Product liability premiums have caused 47 percent of U.S. manufacturers to withdraw products from the market; 25 percent to stop some product research; and 15 percent to lay off workers. The Council on Competitiveness has targeted five areas in need of reform: discovery, punitive damages awards, the "Loser Pays" rule, expert witnesses, and alternative dispute resolution. John Carlisle, "Ending the Litigation Explosion," *Essays on Our Times*, October 1992, Free Congress Research and Education Foundation.

Asset Forfeiture Laws a Nightmare for Property Owners. Since 1985, the total value of federal asset seizures has increased over 1,500 percent, to over $2.4 billion. *Problem*: Civil forfeiture laws apply to *property* — not to the property owner. "The family home is fair game for forfeiture if a son, relative, or friend were to use . . . the telephone to arrange a drug purchase." Innocent homeowners get "caught up in a world of bizarre legal doctrine, sometimes without the assets even to defend themselves." Terrance G. Reed, "American Forfeiture Law: Property Owners Meet the Prosecutor," *Policy Analysis No. 179*, September 29, 1992, Cato Institute.

War on Drugs a Destructive Failure. The War on Drugs, declared by then-president Ronald Reagan on October 2, 1982, has failed to stop the flow of illegal drugs into the U.S. *What the War has done*: gutted the Bill of Rights, invaded our privacy, ravaged inner cities with narco-terrorism, corrupted law enforcement officials and the judiciary, compromised judicial independence through mandatory minimum sentences, and overcrowded prisons with non-violent first offenders while allowing murderers, rapists, and robbers to get out early. Steven Wisotsky, "A Society of Suspects: The War on Drugs and Civil Liberties," *Policy Analysis No. 180*, October 2, 1992, Cato Institute.

Texas a Microcosm of Litigious Society. Texas has 6.7 percent of the U.S. population but accounts for 10.3 percent of all major product liability suits — 50 percent more than the national average. Product liability costs have contributed to the layoffs of some 30,000 Texas workers, and some 3,300 manufacturers employing 340,000 Texans may stop all manufac-

CAN STATE GOVERNMENTS REFORM HEALTH CARE?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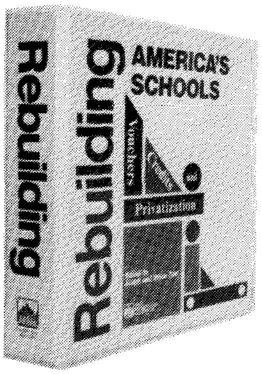

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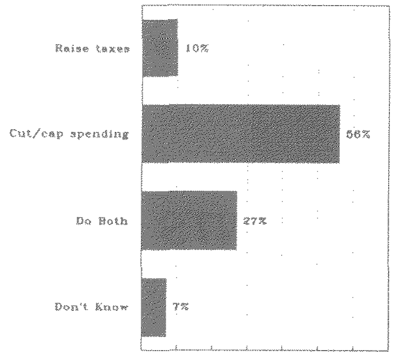
turing operations in the state because of concern over legal liability. Michael D. Weiss, "America's Queen of Torts: The Long Arm of Texas Law," October 1992, Texas Public Policy Foundation.

Meeting the Legal Needs of the Poor. Proposals — such as that made by a Maryland gubernatorial committee — to mandate *pro bono* work by lawyers would hurt rather than help the poor. Moreover, such proposals would violate the constitutional rights of attorneys, serving as a windfall only for left-wing ideological activists. "The solution to meeting the legal needs of the poor lies in voluntarism and deregulation, not more government coercion." Daniel Popeo and John Scully, "Mandatory Pro Bono or Voluntarism?" *Alternatives in Philanthropy*, November 1992, Capital Research Center.

How Wyoming State Legislators Would Balance Their Budget



Source: Research Services, Inc., Thirteenth Annual Public Opinion Poll for Wyoming Heritage Society, 1992.

Equal Protection for Economic Liberty. Constitutional protection for economic liberties has taken a back seat to protection of civil liberties since the New Deal. But the Constitution — in its commerce clause, contracts clause, and takings clause — explicitly protects economic liberties, and the current Supreme Court may be ready to accept its responsibility in this realm. David Bernstein, "Equal Protection for Economic Liberty: Is the Court Ready?" *Policy Analysis No. 181*, October 5, 1992, Cato Institute.

PRIVATIZATION

Privatization Worldwide. In *Russia*, the Yeltsin government has issued every Russian citizen vouchers that can be used to purchase shares in government-owned concerns. Share trading began December 1. *Singapore* will begin selling shares in its state-owned port, mass transit system, telecommunications, gas, and electric monopolies as early as 1993. *Bolivia* is accepting bids for a 49 percent share in its state-owned airline; Iberia airlines of Spain is reported to be the lead bidder. "Privatization Notes," *The Government Union Critique*, October 16, 1992. Contact the Public Service Research Foundation, 1761 Business Center Drive, Suite 230, Reston, VA 22090; phone 703/438-3966.

Public Housing Privatization in Hong Kong? The rate of home ownership in Hong Kong — now at 41 percent — could nearly double if public housing units were privatized. *Fact*: 36.5 percent of Hong Kong's households live in public housing. *Benefits*: "A society of homeowners contributes enormously to social [and economic] stability. . . . Privatisation would at one stroke create an asset that can hedge against the ill effects of inflation for more than one-third of the population." Richard Y.C. Wong, "Privatise Public Housing," *HKCER Letters*, September 1992. Contact The Hong Kong Centre for Economic Research, The University of Hong Kong, Pokfulam Road, Hong Kong.

Competition Needed in Municipal Water Supply. Municipalities can improve water services to their citizens and free up cash for essential public services by entering into long-term competitive franchise agreements with the private sector. Such agreements currently provide water to nearly all citizens of the United Kingdom and to over 75 percent of the population of France. David Haarmeyer, "Privatizing Infrastructure: Options for Municipal Water-Supply Systems," *Policy Insight Number 151*, October 1992, Reason Foundation.

10,000 Down in Russia. Ten thousand Russian state-owned enterprises have been privatized, according to Anatoliy Chubays, Chairman of the State Committee for the Management of State Property. "Chubays nevertheless insists that economic reforms in

Russia should be accelerated. A total of 55,000 enterprises have applied to the government to be privatized. The Russian government envisages privatization of about 160,000 state enterprises." "Privatization Monitor," *Perspectives*, October 20, 1992. Contact the International Freedom Foundation, 200 G Street NE, Washington, DC 20002; phone 202/546-5788.

REGULATION

Deregulation's Impact on the Airlines. Hub-and-spoke route systems, computerized reservations, and competitive fare structures are among the benefits achieved by airline deregulation. Although consumers may perceive "chaos" in the airline industry — with bankruptcies, mergers, and other corporate structure changes frequent — such change is evidence of the *success* of deregulation. "The marketplace is supposed to punish poor management, and it has done so in the aviation industry. The reality has been that the failure of firms means that markets are working." Elizabeth E. Bailey, "Airline Deregulation: Confronting the Paradoxes," *Regulation*, Summer 1992, Cato Institute.

Minimum Wage Causes Unemployment. "A minimum wage law is simply a form of price control: It prevents anyone from selling his labor below a certain price. Whenever a minimum price is established, some portion of the good or service involved will not find a buyer. . . . [T]he establishment of a minimum wage inevitably creates a surplus of labor, called 'unemployment.'" Mark Tier, "Jobs for Everyone: Without Minimum Wage Laws," *ISIL Educational Pamphlet Series*. Contact the International Society for Individual Liberty, 1800 Market, San Francisco, CA 94102; phone 415/864-0952.

America's Parasite Economy. Government regulation has become a large-scale transfer-of-wealth program benefiting lawyers, lobbyists, and bureaucrats — and hurting the rest of us. Thomas Hopkins, an economist at Rochester Institute of Technology, estimates the gross cost of federal regulation at $392 billion — roughly $4,000 per U.S. household. Today there are 40,111 paid lobbyists registered with

Term Limits Protect Civil Liberties

By Thomas Shull

DETROIT, MICHIGAN — In the debate over limiting politicians' terms, principled opponents of term limits have raised a fundamental question: Why restrict our right to choose our political representatives? Term limitation affects the right to choose by removing from the ballot the names of long-serving public officials, and some argue that this restriction of voter choice compromises a moral principle.

This argument is appealing, but wanting. It pretends that the right to vote is equal to all others — an end in itself, rather than the means to an end. It neglects the classical vision of government that Tom Paine and other Revolutionary War thinkers captured in their distinction between "civil" and "political" rights.

Civil rights — such as free speech, self-defense, and earning a living — were fundamental human rights, which could be abrogated only as needed to create a government that restrained the violence the Founders believed would emerge if no government existed. Political rights — such as voting — were not fundamental human rights, but rights created to protect civil liberties. Political rights can be, and indeed *should be,* curtailed if they threaten civil rights. We cannot, for example, elect someone President three times, or ask a person to serve concurrently as state senator and Governor of Michigan.

The moral purpose of safeguarding civil liberties may seem less relevant when choosing representatives, who command only one vote in a legislature. But such a view fails to account for the increasingly unaccountable "governmental class."

In his 1776 polemic *Common Sense*, Paine notes that our elected representatives "are supposed to have the same concerns at stake which those have who appointed them, and who will act in the same manner as the whole body would act were they present." Do our current representatives have the same concerns at stake as we do and thus act in the same manner as we would act?

Evidence abounds that the answer is "no." The S&L scandal, junkets to swanky resorts, and "banks" with no penalty for bounced checks are symptoms of the extent to which our legislature has lost touch with the challenges faced by the private citizen.

> **Term limits are needed to protect our civil liberties from the "governmental class."**

This development threatens our civil liberties. The Founders and Paine would be alarmed by the current failure of elections to prevent the development of a ruling class remote from private concerns.

Term limits do not violate, but rather accord with, classic principles of American government. To protect what is most valuable in our society — our civil rights — we must recognize, as did Thomas Paine, the value of returning public officials to "private stations."

# # #

Thomas Shull is executive director of The Heartland Institute in Michigan.

the U.S. Senate — 400 for every Senator. "The papers that ate America," *The Economist*, October 16, 1992.

Deregulation Creates Jobs, Saves Money. Federal deregulation of the interstate trucking industry allowed the number of ICC-authorized carriers to increase from 18,000 to more than 48,000 between 1980 and 1992. The number of jobs in the industry increased during that period by 494,000. Deregulation also has lowered air fares (by more than 20 percent); shipping costs (by $50 billion a year); and long-distance telephone bills (by 40 to 45 percent). *The Legacy of Regulatory Reform: Restoring America's Competitiveness*, September 1992, President's Council on Competitiveness, Office of the Vice President, Washington, DC.

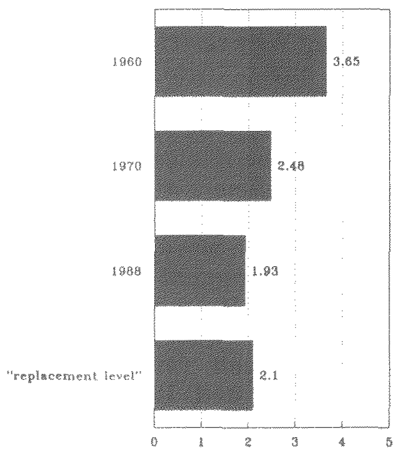
TAXES

Excise Taxes Drive Consumers Across State Borders. States that increase excise taxes on cigarettes, gasoline, and alcoholic beverages may witness *falling* tax revenues, retail sales, and employment as their consumers cross state borders to buy lower-taxed, and thus lower-priced, goods. *Success story*: By keeping its excise tax on distilled spirits low compared to its New England neighbors, New Hampshire added an estimated 1,424 jobs and retail wages of $16.7 million to its economy between 1987 and 1991. Price-Waterhouse, "Voting With Their Feet: A Study of Tax Incentives and Economic Consequences of Cross-Border Activity in New England," *The State Factor*, August 1992, American Legislative Exchange Council.

The High Cost of Collecting Taxes. Businesses and individuals spent 5.4 *billion* hours on federal tax compliance in 1985. The cost of their time — $159 billion — was equal to 24 percent of total federal taxes paid that year. Taxation also results in a loss of productive economic activity equal to 33 percent of total taxes collected. Finally, lawyers and accountants spend millions of hours each year helping their clients shelter income — costs reaching nearly 7 percent of federal taxes collected. Ross Korves, "The Impact of Additional Taxes to Fund New Government Health Care Programs," *Health Issues Brief*, October 1992. Contact the American Farm Bureau Federation, 225 Touhy, Park Ridge, IL 60068; phone 312/399-5780.

New Taxpayers Group Founded. Taxpayers in Wisconsin have a new champion: the Milwaukee-based Taxpayers Network Inc. Its mission is to "educate Wisconsin citizens toward a common sense, free enterprise competitive system, with economic opportunity and limited government." *Taxpayers Network Monthly*, October 1992. Contact Taxpayers Network Inc., 125 North 70th Street, Milwaukee, WI 53213-3831; phone 414/258-6766.

Birth Rate in America
(per woman of child-bearing age)



Source: "In Sickness and In Health," Policy Review, The Heritage Foundation, Spring 1992.

Taxpayers Ready to Revolt. "What America needs most to get the government back under the control of the people is a comprehensive overhaul of the existing tax system, including but not limited to lower rates, less progressivity, elimination or significant reduction in capital gains and corporate taxes, and vast reduction of hidden and double taxation." Matt S. Hellman and I.M. Notakinit/N.E. Moore, editors, *America's Coming Tax Revolt* (376 pages, paperback, $14.95). Contact Parrot Communications Int'l, Inc., 2917 North Ontario Street, Burbank, CA 91504; phone 818/567-4700.

Top 10 Percent Pay Over 50 Percent of Taxes. The top 10 percent of income earners paid 53.9 percent of all federal individual income taxes in 1990, up from 48.6 percent in 1980. The income necessary to place in the top 10 percent was just $63,818 — not far from 1990s' two-earner median family income of $50,898. Taxpayers in the bottom 50 percent of income earners saw their share of income taxes decline, from 7.4 percent in 1980 to 6.2 percent in 1990. "Top Tenth of U.S. Taxpayers Pay Over Half of Federal Income Taxes," *Tax Features*, September 1992, Tax Foundation.

TRANSPORTATION

Congestion Pricing in Theory and Practice. The Reason Foundation has compiled a series of six reports that suggest congestion pricing is a practical idea that could be implemented quickly and at relatively low cost in Southern California — and there's little reason to doubt that the analysis could be extended to other regions of the country. Included among the reports are: "Managing Transportation Demand: Markets Versus Mandates"; "Standardizing Electronic Toll Collection"; and "Introducing Congestion Pricing on a New Toll Road." *Congestion Pricing for Southern California: Using Market Pricing to Reduce Congestion and Emissions*, September 1992, Reason Foundation.

WELFARE

Vouchers Work in Social Service Delivery. The G.I. Bill, food stamps, and Section 8 housing subsidies offer examples of the potential *vouchers* have to improve social service delivery to the poor and other constituencies. Vouchers provide: market competition, minimalist government, and public accountability. Most importantly, they increase *consumer sovereignty* by allowing recipients to purchase social services from providers of their own choosing, rather than from a government monopoly. David Stoesz, "Social Service Vouchers: Bringing Choice and Competition to Social Services," *Policy Report No. 16*, July 1992. Contact the Progressive Policy Institute, 316 Pennsylvania Avenue SE, Suite 555, Washington, DC 20003; 202/547-0001.

(Continued on Page 26)

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Welfare

America's Poverty Myth: Part II

By Robert Rector

WASHINGTON, DC — Although you'd never know it from official reports, the living standards of most of the 30 million poor identified by the Census Bureau are far higher than what the general public regards as poverty. "Poverty" implies destitution: a lack of reasonable shelter, clothing, and food. Only a tiny fraction of those defined as poor by the Census Bureau meet this description.

For example, in 1989 40 percent of all households identified as poor by the Census Bureau owned their own homes. The average home owned by a "poor" person is a three-bedroom house with a garage and a porch or a patio. According to figures released by the Department of Housing and Urban Development and the Census Bureau, one million "poor" people own homes valued at more than $80,000, and 75,000 of the "poor" own homes valued at more than $300,000.

The overwhelming majority of homes and apartments of the poor are in good condition. Only 8 percent are overcrowded. More than half of the poor live in homes or apartments with more than two rooms per person. The average American poor person has twice as much living space as the average Japanese citizen and four times as much as the average Russian.

Contrary to media misconceptions about chronic hunger among poor children, Agriculture Department studies show that the average consumption of protein, vitamins, and minerals is virtually the same for poor and middle-class children in America. Far from being chronically hungry and malnourished, "poor" children today are in fact super-nourished, growing up to be, on average, one inch taller and 10 pounds heavier than the GIs who stormed the beaches of Normandy in World War II.

Most "poor" Americans today are better housed, better fed, and own more personal property than average Americans throughout most of the 20th century. Adjusting for inflation, per-capita expenditures of the lowest-income one-fifth of U.S. households in 1990 exceeded the per-capita income of the median American household in 1960.

Clearly the living standards of low-income Americans are far higher than the official poverty report indicates. But this does not mean that the War on Poverty has succeeded. The main effect of mushrooming welfare has been to replace work and earnings with dependence. And by rewarding dysfunctional or self-destructive behavior, the welfare state has contributed to a new "behavioral poverty" exemplified by increasing illegitimacy, crime, school failure, and drug abuse.

The key dilemma of the welfare state is that the prolific spending intended to alleviate material poverty — $215 billion in 1990 alone, and $3.4 trillion since 1964 — has led to a dramatic increase in behavioral poverty. The War on Poverty may have raised the material standard of living of poor Americans, but at a cost of creating whole communities where traditional two-parent families have vanished, work is rare or non-existent, and multiple generations have grown up dependent on government.

# # #

Robert Rector is a policy analyst for social, welfare, and family issues at The Heritage Foundation.

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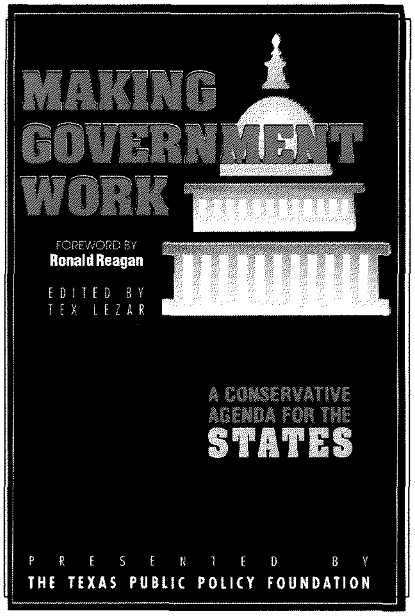

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Homelessness is not Holiness. In a review of Richard W. White, Jr.'s *Rude Awakenings* (San Francisco, CA: ICS Press, 1992), Marvin Olasky writes: "The homeless seemingly have become itinerant saints of our society, and those making political demands for them prophets." In an effort to gain greater public sympathy for the homeless, their advocates neglect to mention substance abuse, family breakdown, and other ugly truths about homelessness. Such *"lying for justice"* has backfired, however, resulting in a "compassion backlash" against the homeless. Marvin Olasky, "Beyond Hobocracy," *Alternatives in Philanthropy*, October 1992, Capital Research Center.

Tenant Management Under Siege. Fierce opposition from the public housing establishment threatens to foil tenant management and ownership efforts at the federal, state, and local level. Myths about such empowerment programs abound, but the facts often go unreported. *Fact*: Management and eventual ownership offer low-income tenants direct control over their lives and a way out of substandard housing conditions. Carl F. Horowitz, "The Misplaced Assault on Resident Ownership of Public Housing," *Backgrounder No. 916*, October 2, 1992, The Heritage Foundation.

California AFDC Program Too Attractive. Between 1970 and 1980, California's AFDC caseload of single-parent families increased 21 percent; it grew 40 percent between 1980 and 1990. The caseload grew 3.4 percent per year between 1980 and 1990, compared to the state's overall population growth rate of just 2.3 percent per year. *Why?* California's AFDC grant level is the fourth highest in the country — $663 per month. Add in food stamps, and the single-parent AFDC family has more spendable income each month than it would have if the head of the household were employed full time at minimum-wage. Lance T. Izumi, "Welfare in California: Too Much to Too Many," *Briefings #1992-19*, October 27, 1992, The Claremont Institute.

Escape from Poverty. "We must all be reminded that the most disadvantaged American has economic opportunities beyond the dreams of most of the world's population. The rules for escaping from poverty in America are simple: (1) finish high school; (2) get a job, any job, and stick with it; and (3) do not have children outside of marriage. Those who abide by these rules of middle-class existence will not be chronically poor in the U.S." Robert Rector, "The Paradox of Poverty: How We Spent $3.5 Trillion Without Changing the Poverty Rate," *The Heritage Lectures 404*, 1992, The Heritage Foundation.

OTHER TOPICS

Culture Wars. The Heritage Foundation released in July its "inaugural edition" of *Culture Wars*, a 230-page compilation of articles on the state of American culture. Articles address such subjects as "Character & Values," "The Changing Tide of Feminism," and "The State of American Education." The effort is headed by William J. Bennett, Distinguished Fellow in Cultural Policy Studies for the Foundation. *Culture Wars: Reports from the Front*, July 1992, The Heritage Foundation.

How to Stop the Killing. Six academics and policy experts in Chicago respond to the recent killing of a seven-year-old boy in the city's Cabrini-Green public housing project by calling for reforms of housing policy, education, the War on Drugs, welfare, and taxes. Authors contend that public policies created the conditions that breed urban violence, and such reforms as education vouchers, lower taxes, and privatizing public housing are necessary to restore order. Says contributor Randy Barnett, "We have reason to question the good faith of those who so ardently and vehemently cling to the past and refuse even to discuss, much less consider, any radical alternative." Joseph L. Bast et al., "The Killing Can Be Stopped," *Heartland Policy Study No. 54*, November 25, 1992, The Heartland Institute.

Government Policy Stifles Small Business. Between 1989 and 1992 the government burden on small business increased over 34 percent, stifling job creation in small firms that historically have produced a disproportionate share of new jobs during economic recoveries. *Most burdensome:* the minimum wage, the Americans with Disabilities Act, sales and excise taxes. "Derailing the Small Business Job Express," Joint Economic Committee Republican Staff, November 7, 1992. Contact Ed Gillespie, Room 805 Hart, Washington, DC 20510; phone 202/224-0374.

Markets vs. Planned Economies. Market economies succeed largely because they "make use of information about what actually is happening." Planned economies fail because they ignore such information "in favor of some master plan that purports to 'outguess' the market." The media are key suppliers of information to all actors in a free market, and thus they have an obligation to report objectively and accurately. "The Media and the Economy: Two Perspectives," *Economic Education Bulletin*, September 21, 1992. Contact the American Institute for Economic Research, Great Barrington, MA 01230.

Entrepreneurship Key to Urban Revitalization. The cultivation of small businesses and the entrepreneurial spirit must be a central element of any plan for invigorating inner cities. *Important ingredients:* streamline the regulatory process; exempt self-employment income from a city's income tax; abandon mammoth government-funded "revitalization projects"; reform building codes and zoning laws. "Changing Course in America's Cities: Revitalization through Entrepreneurship," *Urban Policy Perspective*, August 28, 1992, Urban Policy Research Institute.

How to Make Corporations Family-Friendly. (1) Encourage the work-at-home revolution. *Facts:* 38.4 million workers performed at least some paid work at home in 1991; more than half of all U.S. workers now work something other than a five-day, 40-hour week. (2) Adopt flexible "cafeteria-style" compensation packages. (3) Resist the push for "paternalistically correct benefits," such as on-site institutional day care. (4) Refrain from supporting anti-family causes. (5) Cultivate a corporate culture that values the family. William R. Mattox, Jr., "The Family-Friendly Corporation: Strengthening the Ties that Bind," *Family Policy*, November 1992, Family Research Council.

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"Buy American" Policy Is Misguided

By Michael Walker, Ph.D.

VANCOUVER, BRITISH COLUMBIA, CANADA — The mayor of Flint, Michigan has issued a regulation to the effect that only U.S.-made cars will be allowed to park in the City Hall basement garage. According to a report in *U.S.A Today*, Mayor Woodrow Stanley issued the order to send a "buy American" message; he may extend the rule to other city employee parking lots.

It is highly unlikely that the mayor's intent will be realized, because parking lot attendants will find it difficult to discriminate against foreign-made automobiles.

Imagine that the following seven cars enter the lot: Pontiac Le Mans, Chevrolet Lumina, Plymouth Voyageur, Mercury Tracer, Mercury Capri, Dodge Stealth, and Honda Accord. Which cars would you decide were U.S.-made? Pontiac, Chevrolet, Plymouth, Mercury, and Dodge are certainly well-known North American automobile names, and you could be forgiven for allowing these to park.

But none of these "American" cars is made in the United States! Of the original seven cars, only the Honda Accord coupe is manufactured in the United States.

This does not mean, however, that the Honda is a "U.S. auto" any more than it means the Le Mans is a "South Korean auto." Consider the following production costs of a Le Mans, as reported by Ann Brunsdale, former vice chair of the U.S. International Trade Commission.

Of the $10,000 U.S. sticker price on a GM Le Mans, $3,000 is spent in South Korea on assembly; $700 is spent in Germany for styling and design engineering; $400, in Taiwan, Singapore, and Japan on small components; $250, in Britain on advertising and marketing strategy; $50, in Ireland and Barbados on data entry; $1,850, in Pacific Rim countries on the engine, the transaxles, and the electrical components; and $3,750, in the United States for sales, marketing, legal, accounting, engineering, and other services.

A "Buy American" policy is not only unenforceable, it is counterproductive.

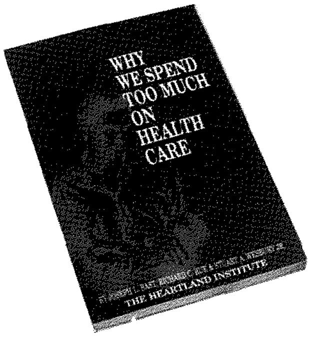
Even if identifying "American" products were easy, economic evidence shows that the U.S. would be worse off following a "Buy American" policy. Indeed, neither Flint nor the rest of the American heartland is helped by so-called "Buy American" campaigns. Flint's highly successful Buick City operation relies in part on components from Canada and Mexico. This is simply a survival strategy: In today's interconnected global market, manufacturers who are forced to buy exclusively from one particular country or region become less competitive and go out of business.

Flint's fortunes do not depend on what goes into its parking lots. Flint's fortunes depend on what comes out of its factories. The future of Flint, GM, and the U.S.A. will be assured not by appeals to "Buy American," but by more of the hard work and innovation that have made Flint's Buick City a world-class maker of automobiles.

# # #

Dr. Michael Walker is executive director of the Fraser Institute in Vancouver.

Why We Spend Too Much On Health Care



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Foundation for Research on Economics and the Environment (F.R.E.E.)
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1211 H Street - Suite A
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916/446-7924
(fax) 916/447-5191

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Independence Institute
14142 Denver West Parkway
Suite 101
Golden, CO 80401
303/279-6536

Independent Institute
134 Ninety-Eighth Avenue
Oakland, CA 94603
510/632-1366
(fax) 510/568-6040

Institute for Contemporary Studies
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(fax) 206/687-2973

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702/786-9600

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(fax) 505/243-1700

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406/587-9591

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213/391-2245
(fax) 213/391-4395

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714/621-8201

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Institute of Political Economy
Political Science Department
Logan, UT 84322-0725
801/750-2064

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223 105th Street NE - Suite 202
Bellevue, WA 98004
206/454-3057

Washington Research Council
906 South Columbia - Suite 350
Olympia, WA 98501
206/357-6643
(fax) 206/754-2193

Wyoming Heritage Society
139 West Second Street - Suite 2B
Casper, WY 82601
307/265-5462

ContactsContactsContactsContactsContactsContactsContactsContacts

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612/338-3605
(fax) 612/338-3621

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(fax) 312/427-4642

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Detroit, MI 48226-4202
313/393-1950

Heartland Institute in Missouri
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Kansas City, MO 64105
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P.O. Box 53
Watertown, WI 53094-0053
414/261-1430

Hillsdale College
Hillsdale, MI 49242
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(fax) 517/437-0160

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Birmingham, AL 35259
205/870-9900

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214 Massachusetts Avenue NE
Suite 400
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202/547-4646
(fax) 202/547-8142

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Harding University
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Searcy, AR 72143
800/477-4407
(fax) 501/279-4600

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703/764-2606
(fax) 703/764-1577

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Washington, DC 20006
202/822-8666
(fax) 202/785-5634

Cato Institute
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Washington, DC 20003
202/546-0728
(fax) 202/546-0728

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Washington, DC 20037
202/663-9041 or -9042

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St. Louis, MO 63130-4899
314/935-5630

Citizens Against Government Waste
1301 Connecticut NW - Suite 400
Washington, DC 20036
202/467-5300
(fax) 202/467-4253

Citizens for a Sound Economy
470 L'Enfant Plaza East SW
Suite 7112
Washington, DC 20024
202/488-8200

Citizens for the Environment
470 L'Enfant Plaza East SW
Suite 7112
Washington, DC 20024
202/488-7255

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Washington, DC 20003
202/547-1010

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Suite 403
Washington, DC 20003-1147
202/547-4600

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202/546-1713

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Washington, DC 20036
202/785-2985

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Washington, DC 20005
202/393-2100

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717 Second Street NE
Washington, DC 20002
202/546-3000

Free Market Foundation
P.O. Box 741777